

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C.

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JUN 26 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 ) CC Docket No. 96-262  
Access Charge Reform )

## COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby submits its comments in response to the Further Notice of Proposed Rulemaking issued by the Commission in conjunction with its First Report and Order in the above-captioned proceeding (FCC 97-158, released May 16, 1997). As will be explained below, Sprint opposes the proposed assessment of PICCs on special access lines and favors the use of the Commission's second option, confined to Account 6124, for GSF reallocation.

## I. PICCs FOR SPECIAL ACCESS LINES

The tentative proposal to apply PICCs to special access lines is unsound as a matter of economics, unnecessary as a matter of policy, and untenable as a matter of law. The concern that gave rise to this proposal (§§103, 401-02) was that the increase in SLCs and the initiation of PICCs on multi-line business customers might induce those customers to migrate from the public switched network to special access, which could result in a decrease in projected revenue from multi-line SLCs. The Commission cited no concrete evidence in the record to support this tentative conclusion, and Sprint believes this concern is wholly unfounded. The Commission overlooked the fact that at the same time the PICCs are initiated, the MOU charges will begin to decline. This decline in the

MOU charges should largely offset (if not more than offset) the higher SLC and PICCs, so that, overall, there will be less of an incentive to substitute special access for switched access than is the case today. It may be that in the case of some LECs, there could be a very short-run and short-lived net cost increase in overall switched access charges for multi-line business users. However, that net increase should disappear as the level of the PICC begins to decline in 1999 and the MOU charges drop even further. Given the typical level of ILEC non-recurring charges, it is highly unlikely that any customer would undertake to convert its service from switched access to special access for a de minimis amount of savings in recurring charges that would only last for a year. In short, Sprint believes that the proposal to assess PICCs on special access would solve a problem that does not, in fact, exist.

At the same time, the Commission left totally up in the air how PICCs would be applied to special access services. If the PICCs were applied on a voice-grade equivalent basis, they would have an enormous impact on special access charges. For example, a typical rate for a special access DS3, ten miles in length, is in the neighborhood of \$2700 per month. Applying the \$2.75 PICC to the voice-grade capacity of such a circuit (672 voice-grade equivalents), would amount to \$1848 per month, increasing the cost of the DS3 by 68%. IXC's would have no economic choice but to pass through the costs of these special access PICCs onto their customers, and this would have a severe impact on existing special access users, an impact that is wholly unrelated to the cost of special access service.

Moreover, as the Commission admitted in ¶404, imposing a PICC on special access users would contravene long-standing Commission policy that special access services should not be used to subsidize other services. As discussed in the preceding paragraph, the Commission has failed to show that there is a compelling need to depart from its long-standing policy. And even if there were a significant threat of diversion of traffic from switched to special access, the sounder policy would be to revise the switched access structure to make it more cost-related, rather than to impose above-cost charges on special access customers.

In that regard, such a subsidy would appear to be inconsistent with Section 254(b) of the Act, which requires "equitable and non-discriminatory contribution to universal service..." In ¶104, the Commission rejected arguments that the PICC was inconsistent with Section 254(b), on the grounds that the PICC is not a universal service mechanism, but rather a flat-rated charge that recovers local loop costs in a cost-causative manner. Putting aside the validity of this argument for switched access PICCs, it is simply inapplicable to the assessment of PICCs on special access services. The loop costs of special access services are directly assigned to the interstate jurisdiction by Section 36.154 of the Rules, and there is no reason to believe that existing special access rates do not fully recover those costs. By imposing a PICC on special access lines, the Commission would not be covering special access loop costs through the PICC, but rather would be recovering switched access loop costs. This is a subsidy, pure and

simple, that clearly conflicts with Section 254(b). Regardless of the merit there may be in the Commission's position (§9) that it need not remove all implicit subsidies of universal service that exist in switched access charges on a flash cut basis, it is quite another matter to create a new subsidy on a new class of users.

## **II. GENERAL SUPPORT FACILITIES COSTS**


Of the two methods proposed in the Further Notice for allocating GSF costs to billing and collection service, Sprint prefers the second option (see ¶417), which uses a modified "Big Three Expense" allocator, but with one additional modification. Sprint believes this allocation should be limited to Account 6124, General Purposes Computers only, rather than allocating all of GSF through this general allocator. Application of the modified "Big Three Expense" allocator to total GSF grossly over-allocates costs to billing and collection, which in turn causes an inappropriate reduction in access rates through the exogenous cost treatment of such a cost shift. Sprint urges the Commission to consider limiting the revised allocation only to the account at issue, General Purposes Computers. Such a change should not be difficult to administer by LECs or the Commission. Sprint believes this method is preferable to the first option proposed by the Commission – the use of special studies. While special studies, if properly conducted, might result in a more accurate allocation, they are time-consuming to perform, and may require additional oversight (see ¶416) to ensure the accuracy of the studies.

**CONCLUSION**

Sprint urges the Commission to reject its tentative conclusion that PICCs should be imposed on special access, and supports the use of the second option, but confined to Account 6124, for allocation of GSF costs to billing and collection.

Respectfully submitted,

SPRINT CORPORATION

A handwritten signature in black ink, appearing to read "Richard Juhnke", written over a horizontal line.

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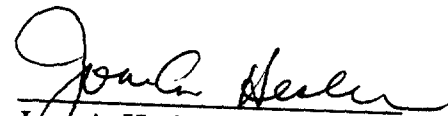
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June 26, 1997

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments of Sprint Corporation was Hand Delivered or sent by United States first-class mail, postage prepaid, on this the 26th day of June, 1997 to the below-listed parties:

  
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